

NO CHANGE IN CLASS.  
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**INDOCHINA**

**Prospects for an effective non-Communist government in  
south Vietnam continue unfavorable.**

The French are hostile toward Diem because his policy of uncompromising nationalism must necessarily result in an end to the French "presence." They are capable of causing Diem's fall at any time but appear unwilling to take a conspicuous role in his forcible removal at the moment. Instead they have been at one time encouraging the formation of a Vietnamese coup group and at another attempting to get Diem to "broaden" his government by bringing into it one or more persons who, unlike Diem, could be expected to remain in step with French plans.

Many Vietnamese elements who are in a position to assist Diem have taken their cue from the anti-Diem position of the French and are following an opportunistic course, thus reinforcing the general impression that the new premier has little

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support. These elements in south Vietnam, notably the so-called sects--the Cao Dai (Cow Die), the Hoa Hao (Hwa How), and the Binh Xuyen (Bin Soo-yen)--could be expected to adopt a pro-government position if they became convinced that Diem was going to win out in his struggle with the French.

Even though the sects would probably fall to fighting among themselves if a new government came in, their current co-operation with one another represents an organized political force considerably greater than the premier can count on. Most recently there has developed within Diem's own inner circle a disposition to make a realistic settlement with the sects and other critics of the government even if this means elevating Diem himself to a relatively powerless figurehead position.

Actually Diem's position may not be quite so shaky as certain anti-government informants and inspired press dispatches would suggest. He enjoys far greater personal prestige among Vietnamese generally, both in the North and the south, than any of his predecessors. Bao Dai has promised Diem has "full support." Although such support is a mixed blessing, the fact remains that official sanction for any government must come from Bao Dai.

Diem's reputation as an American protege, deriving from two years' residence in the United States, has probably been

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the principal cause for French hesitation in effecting his removal. At the same time, however, it explains to some extent French hostility toward him. His ability to foster the impression that he is the key to American support for free Vietnam will determine to a large extent the prospects for building his government into an effective anti-Communist force.

Meanwhile, the Viet Minh is losing no opportunity to discredit Diem and to bolster its material strength. It has been especially concerned at the prospect of large-scale movement of northern Vietnamese refugees to the non-Communist south and has sought through propaganda and various political warfare tactics to disrupt the evacuation program.

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~~TOP SECRET~~